

Opening Statement of the Honorable Mary Bono Mack
Subcommittee on Commerce, Manufacturing, and Trade
“Internet Gaming: Is There A Safe Bet?”
October 25, 2011
(As Prepared for Delivery)

In many ways, the debate over legalizing Internet gambling is a lot like Texas Hold'em poker. Three cards are dealt face-up.

Is the further expansion of gambling in the United States a good bet? Can online gambling be regulated effectively? And what role should the federal government play to protect American consumers from “sharks”? This is the “flop” we’ve been dealt for today’s hearing.

Then there’s the “turn” card: with billions of dollars sitting on the table, can Congress afford not to get involved?

And, finally, the “river” card: what impact would legalizing Internet gambling have on American consumers and the U.S. economy? Clearly, the stakes are high, and a “showdown” is likely on Capitol Hill in the months ahead.

As Chairman of the House Subcommittee on Commerce, Manufacturing and Trade, this is an issue which I will be following very closely to make certain Americans are dealt a fair hand, regardless of the outcome.

The purpose of our hearing is to simply take a close look at the “face-up” cards – the things we know with some certainty after 80 years of legalized, regulated gambling in the United States. Today, we will hear from both sides of this important, yet very contentious issue.

One thing we do know is this: the vast majority of Americans have gambled at some point in their lives.

According to the UCLA Gambling Studies Program, approximately 85 percent of U.S. adults have gambled at least once – 60 percent in the past year. What’s more, some form of gambling is legalized in 48 states plus the District of Columbia. The only two states without legalized gambling are Hawaii and Utah.

Gaming policy and regulation is generally handled by the states, although the federal government has been involved in shaping the boundaries of what’s not permissible. But the legal status of online gaming is a lot more complicated.

In 1961, Congress passed the Interstate Wire Act – more than 20 years before anyone had ever heard of a thing called the Internet.

Yet according to the Justice Department, online gambling is illegal under the Interstate Wire Act because it prohibits the use of wire communications for the interstate facilitation or transfer of wagers.

In 1988, gambling in the United States began to proliferate after Congress passed the Indian Gaming Regulatory Act, addressing the jurisdiction and authority of tribes to establish gaming on their lands. Since its passage, tribal gaming operations have seen tremendous growth with revenues last year exceeding \$26 billion.

Speaking from my own experience – with seven casinos located in my Congressional District – tribal gaming has been a huge plus: it's created thousands of jobs during difficult economic times, and the Tribes have been great neighbors, too, contributing regularly to charities and civic events.

Unfortunately, illegal gambling has been growing in popularity as well. So in 2006, to combat the proliferation of illegal Internet gambling, Congress adopted the Unlawful Internet Gambling Enforcement Act.

This effectively outlawed interstate online gaming in the United States by prohibiting gambling-related businesses from accepting payments in the form of checks, credit card payments, or electronic funds transfers relating to unlawful Internet gambling. The law also establishes fines and penalties for banks and financial companies that process such payments.

In April of this year, three of the top poker websites were shut down and 11 people indicted for bank fraud and money laundering, raising new questions about the law.

Proponents argue that the statute has not reduced Internet gambling – it's simply driven it underground and offshore, where “sharks” can operate with impunity.

Legalizing Internet gambling, they argue, would actually allow the government to provide greater protection for consumers.

Proponents also argue that if Internet gambling is legalized, the United States would realize significant tax revenues from online bets that are currently directed to non-U.S. based gaming companies. It's estimated that Americans wagered \$16 billion last year on Internet poker sites alone.

But those who want to keep the ban on Internet gambling in place argue that repealing the current law will expose more Americans to serious problems such as compulsive gambling.

They are also worried about an increase in fraud, money laundering and organized crime.

Still others have expressed concern that state budgets could be harmed by the loss of lottery and gaming revenue, and they point to a huge potential impact on existing, legitimate gaming operations.

So, as policy makers, the issue of legalizing Internet gambling certainly raises a lot of questions for us to consider:

How effective is current enforcement of online intrastate gaming?

What, if any, forms of interstate online gaming should Congress consider allowing?

What consumer protections exist for online gaming today and do they need to be strengthened?

And how would any easing of legal restrictions on Internet gaming affect American consumers and other stakeholders?

Hopefully, after today's hearing, we'll have a better idea of whether to hold 'em or fold 'em.